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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 6205

RUEHBJ/AMEMBASSY BEIJING 3884

RUEHKO/AMEMBASSY TOKYO 3743

RUEHIT/AMCONSUL ISTANBUL 4449

RUEKJCS/Joint STAFF WASHDC

RUEAIIA/CIA WASHDC

RUCPDOC/DEPT OF COMMERCE WASHDC

RHEFDIA/DIA WASHDC

RHEBAAA/DEPT OF ENERGY WASHDC

RHEHNSC/NSC WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

RUEKJCS/SECDEF WASHINGTON DC

RUCNDT/USMISSION USUN NEW YORK 1456

RUEHVEN/USMISSION USOSCE 4359

C O N F I D E N T I A L SECTION 01 OF 04 ASHGABAT 000158

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SUBJECT: TURKMENISTAN: AVAZA -- THEY'RE BUILDING IT, BUT
WHO'S GONNA COME?

REF: 09 ASHGABAT 769

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

¶11. (SBU) SUMMARY: Turkmen President Gurbanguly Berdimuhamedov decreed the creation of the Avaza Tourist Zone (ATZ) in 2007.

He envisioned a place where Turkmen could rest, exercise, and receive medical and health treatment, right next to the Caspian Sea. To implement his decree, Berdimuhamedov established an Avaza Committee, which reports directly to the president on all matters regarding ATZ. He also ordered that the port town of Turkmenbashy, located 20 minutes from the ATZ, be renovated. In three years, the Government of Turkmenistan (GOTX) has quickly constructed four luxury hotels in Avaza, and plans to complete three more in 2010. The GOTX has committed to build several luxury hotels on its own, while providing the entire tourist zone with the necessary infrastructure needed, including electricity, water, and gas. Avaza Committee officials hope that foreign investors will see the benefits of building world class resorts and entertainment facilities in the ATZ, claiming it will soon become one of the world's hottest vacation spots that will "even rival Dubai." At the same time, the Avaza project faces serious challenges including: An uninviting business climate, an undereducated and undertrained workforce, the fact that other resorts outside of Turkmenistan are currently price-competitive with Avaza, and a restrictive visa regime. END SUMMARY.

THE AVAZA TOURIST ZONE

¶12. (SBU) On January 28-29, econoff visited the Caspian port city of Turkmenbashy (formerly known as Krasnovotdsk) and the ATZ. Turkmen President Berdimuhamedov officially opened the ATZ on June 15, 2009 (reftel). The total tourist zone is a 19 square mile peninsula, which juts out into the Caspian Sea and borders the seaport town of Turkmenbashy. The current Head of the Avaza Committee, Satlyk Satlykov, explained that President Berdimuhamedov envisioned a family friendly place where all Turkmen citizens could go to rest, exercise,

recreate, re-energize and heal with their families. To date, there are six operational hotels in Avaza, four of which were built after 2007. Three more are under construction. Currently, only 0.3 square miles of the total 19 square miles has been developed. In addition, a 7 km cement canal runs through the ATZ, and is expected to be completed by April. Sea water from the Caspian will fill the canal, and guests to Avaza will be able to take small boats up and down the canal.

A PLACE THAT WILL "RIVAL DUBAI"

¶3. (C) During a tour of all six operating hotels, Avaza officials showed off the spacious hotels, opining that the peninsula will soon "rival Dubai" as a modern vacation spot. They emphasized the proximity of the hotels to the Caspian, the manicured beaches, outdoor cafes, amphitheaters, sports courts, outdoor water slides and oversized swimming pools. When entering each of the hotels, a larger than life portrait of President Berdimuhamedov greets each guest. The lobbies are lavishly decorated and each hotel has at least one full service restaurant, decorated and staffed on par with European restaurants. All hotel rooms have a view of the Caspian and have been decorated to European standards. Guests can choose between standard, VIP, deluxe rooms, and presidential suites. Avaza officials stated that Turkmen citizens will spend between \$70 and \$120 per night for hotel rooms during the high season, while foreign guests can expect to pay between \$100 and \$150 per night. Rates generally include two meals per day.

¶4. (C) In line with President Berdimuhamedov's objectives for
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the ATZ, all guests can seek "state-of-the-art" health treatments, as each hotel has a wing dedicated to health services. Guests can visit heart specialists, dentists, gynecologists, pediatricians, massage therapists, and alternative medicine practitioners, just to name a few. Hotel doctors proudly displayed their electric pulse therapy machines, magnetic therapy equipment, hydrotherapy showers and baths, mud baths, steam rooms, salt-water baths, and acupuncture therapy stations. Turkmen insurance does not cover these services, and doctors reported that many of the health services at Avaza are cost prohibitive for most Turkmen.

¶5. (C) Avaza officials showed off a model of the Avaza project, which in addition to numerous luxury hotels, includes fitness centers, luxury apartments, schools, libraries, casinos, an amusement park for children, and an indoor cross-country skiing center, to be filled year-round with artificial snow. Plans are also in the works for eco-tourism venues where guests can ride camels and the world famous Ahal-Teke horses. Avaza officials pointed to two artificial islands that would host luxury resorts built by Russian and Turkish companies. When asked if all of the projects would come to fruition, the officials admitted that most of the projects were merely "proposals." They acknowledged that the GOTX would not finance these projects, and foreign companies would have to invest in them, rather than simply selling high-dollar buildings to the GOTX. The proposed casino, for instance, has a price tag of close to \$1 billion.

THE AVAZA COMMITTEE

¶6. (C) When the Turkmen President created the ATZ in 2007, he also created the Avaza Committee. The current Head of the Avaza Committee, Satlyk Satlykov, stressed that in addition to attracting investment to Avaza, he was also responsible for ensuring the renovation and or construction of the Turkmenbashy oil processing plant, Turkmenbashy square, and additional construction projects in the region of Turkmenbashy. He maintained that President Berdimuhamedov is concerned with almost every detail concerning, and that he sees it as one of his most important initiatives for his

presidency. As a result, he added, the Head of the Avaza Committee reports directly to the president.

SELLING AVAZA TO FOREIGN INVESTORS--NOT AN EASY SALE

¶7. (C) The Avaza Committee Head boasted that the global economic crisis had not affected Turkmenistan like it did Dubai. At the same time, he stated that foreign companies had mistakenly thought that the GOTX wanted to simply buy multi-million dollar buildings from them. He insisted that foreign companies would soon see the value of investing in Avaza, and within five to ten years most of the proposed projects would come to fruition. Potential investors, however, have said that they are concerned about the commercial viability of Avaza, citing the fact that there would be virtually no visitors in the off season, a less than transparent tender process, and a restrictive visa regime, as just some of their major concerns. They have also identified the lack of a moderately skilled workforce as an additional concern. Few Turkmen speak English, and there are few graduates with hospitality sector experience.

¶8. (C) The mayor of Turkmenbashy, Oraz Atayev, felt that as soon as the Turkmenbashy airport renovation was completed, visitors would be able to receive visas at the airport without having to receive a letter of invitation from the GOTX, similar to the practice in Turkey. He acknowledged that requiring foreigners to first receive a letter of

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invitation from the government had negatively impacted foreign interest in Avaza. He asserted that the ability to receive a Turkmen visa at the airport without a letter of invitation would attract more foreign visitors to Turkmenbashy and the ATZ, but locals have also reported that other coastal resorts outside of Turkmenistan are competitively priced with Avaza. As a result, many locals plan their vacations in Turkey and the UAE, since a vacation at Avaza is reportedly not that much cheaper than popular destinations outside the country.

¶9. (C) Locals in Ashgabat continue to report that government employees are being told by their supervisors to spend their vacations in Avaza. In addition, some government workers have told Embassy staff that government employees are even being urged to visit Avaza in the off season. Some have speculated that the GOTX might actually be pressuring its employees to populate Avaza in order to spur the foreign investment needed to bring the ambitious project to fruition.

RENOVATING THE PORT CITY OF TURKMENBASHY

¶10. (C) The city of Turkmenbashy, founded in 1869, has about 70,000 residents. President Berdimuhamedov ordered that the city be modernized, especially since foreign tourists headed for Avaza will first land at the Turkmenbashy airport before arriving in Avaza by car or bus. The Mayor of Turkmenbashy noted that renovation of the Turkmenbashy airport will be completed in April 2010, and was the first project on a presidential list of buildings and complexes to be renovated.

After completion of the airport, plans are in the works to create a new Turkmenbashy square by first moving all government offices into modern, white-marble buildings not far from the current town center. New office buildings, shopping centers, schools, hospitals, and apartments would follow suit, he added. British and Japanese settlers built many of the existing buildings, which have since been declared historical markers, meaning they cannot be demolished. He was not sure whether the historical buildings would be refurbished or just left unoccupied once the new city is completed.

¶11. (C) The Turkmenbashy Mayor characterized the city as a multi-ethnic and multilingual hub with a busy port and a large industrial complex. He described the city as an active seaport for commerce to and from Kazakhstan, Uzbekistan,

Azerbaijan, Russia, Iran, and other former Soviet Union Republics. He added that foreign workers in Turkmenbashy come from over 60 countries, with the largest number of foreign workers hailing from Malaysia, Turkey, and Russia. He posited that most of the workers work for the Malaysian energy company Petronas, which is developing an offshore exploration block in the Caspian (Block 1), close to Turkmenbashy. He noted that most of the other foreign workers represent Turkish and Russian construction companies with contracts in both Turkmenbashy and Avaza.

¶12. (C) COMMENT: Construction of a few hotels continues in the Avaza Tourist Zone. GOTX officials are implementing Berdimuhamedov's orders to create an attractive and inviting resort town. At the same time, the president's plans for Avaza are much more ambitious. The GOTX does not plan to spend too much more of its money on Avaza, hoping instead that large foreign companies will come to the rescue and invest billions of dollars in the project. In reality, the project still makes little sense commercially for most investors. Some companies might agree to invest in order to secure future energy or other business deals with the GOTX (since Avaza is the President's pet project). Overall, however, foreign investors have not taken Avaza too seriously. Since saving face is extremely important to

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President Berdimuhamedov, and he continues to push the development of Avaza and Turkmenbashy, it is quite possible that more and more Turkmen will be "encouraged" to vacation in Avaza, like it or not. END COMMENT.

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